

## Message Text

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C O N F I D E N T I A L STATE 043254

E.O. 11652: GDS

TAGS: EAIR, UR, US

SUBJECT: US-SOVIET CIVIL AVIATION TALKS

REF: STATE 39838

1. SUMMARY: FIFTH ROUND OF CIVIL TALKS SINCE NOVEMBER 1975 DID NOT BRING US AND USSR ANY CLOSER TO AGREEING ON A METHOD TO REDRESS IMBALANCE OF BENEFITS OR A SATISFACTORY LEVEL OF SCHEDULED AND CHARTER AIR SERVICES. CIVIL AVIATION THUS CONTINUES TO BE A GROWING IRRITANT IN OUR BILATERAL RELATIONS. IN RETROSPECT, THE SOVIETS PROBABLY HAD NO SERIOUS INTENT TO CORRECT IMBALANCE ALTHOUGH THEY OFFERED MANY "PROPOSALS" DESIGNED TO RESPOND TO OUR EARLIER CRITICISM REGARDING THEIR FAILURE TO FORWARD ANY NEW INITIATIVES.

- END SUMMARY.

2. DISCUSSIONS BEGAN AFTERNOON OF FEBRUARY 15 AND, ALTHOUGH  
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CIVIL AVIATION DEPUTY MINISTER PAVLOV'S MANNER WAS CONSIDERABLY MORE SUBDUED THAN IN THE PAST, SOVIET DEL OFFERED NO ALTERNATIVES DURING THE FIRST THREE DAYS OTHER THAN VAGUE PROMISES OF CLOSE COOPERATION BY INTOURIST WHICH

WOULD GIVE US PASSENGERS FLYING SCHEDULED SERVICES PREFERENTIAL GROUND ACCOMODATIONS. FROM OUTSET OF TALKS

SOVDEL INSISTED IMBALANCE OF BENEFITS HAS BEEN LESSENED BY PANAM'S INCREASED USE OF CHARTERS.

3. USDEL, ENJOINED BY CAB NOT TO RAISE REVENUE POOLING OPTION, REINTRODUCED A PROPOSAL Tabled IN JUNE 1976 WHICH WOULD ACHIEVE A ROUGH BALANCE OF MARKET SHARES AND REQUIRE THE SOVIETS TO ALLOW PANAM TO COMPETE EFFECTIVELY, FAILING WHICH AEROFLOT WOULD LOSE FREQUENCIES. THE JUNE 1976 PROPOSAL LIMITED THE AMOUNT OF US-ORIGIN TRAFFIC AVAILABLE TO AEROFLOT TO ROUGH EQUIVALENCY WITH THE AMOUNT OF US-ORIGIN TRAFFIC CARRIED BY PANAM DURING 12-MONTH PERIODS. SERIOUS DRAWBACK, NAMELY THE VIRTUAL IMPOSSIBILITY OF COUNTING US-ORIGIN TRAFFIC AND KEEPING THE SOVIETS FROM CHEATING UNDER THIS PROPOSAL, RESULTED IN A MODIFICATION THAT CALLED FOR BALANCE OF THE TOTAL US-USSR MARKET. (TEXT BEING POUCHED E/C SECTION.) USDEL SUGGESTED DESIRABLE FREQUENCIES FOR PANAM WOULD BE FOUR IN THE SUMMER (THREE THIS YEAR) AND TWO IN THE WINTER WITH THE FACILITY TO OPERATE B-747'S ON A TWO-FOR-ONE SUBSTITUTION BASIS.

4. SOVIET DEL SUBMITTED A COUNTER-PROPOSAL, FEBRUARY 17, WHICH ADDRESSED THE IMBALANCE IN US-ORIGIN MARKET ONLY AND ALLOWED AEROFLOT TO OFFER EXTRA CAPACITY BECAUSE PANAM CARRIES MORE TRAFFIC BETWEEN US AND COPENHAGEN THAN BETWEEN US AND MOSCOW. THE SOVIETS ALSO PROPOSED THAT CHARTER FLIGHTS BE IMPLEMENTED ONLY ON NARROW-BODIED AIRCRAFT AND NOT EXCEED 40 PERCENT OF THE NUMBER OF SCHEDULED FLIGHTS ON EACH SIDE.

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5. ON FEBRUARY 18, THE SOVIETS PROPOSED A SPECIAL DIRECT FARE BETWEEN THE AIRLINES. WHEN THIS WAS REJECTED BY THE US AS A STEP BACK TOWARD 1966 NON-STOP FLIGHTS, THE SOVIETS INTRODUCED AN OPTION WHICH WOULD PLACE LIMITATIONS ON CARRIAGE THAT COULD BE PHASED IN OVER A PERIOD OF TIME BUT WHICH INCLUDED COUNTING CHARTERS IN THE BALANCE, EXCLUDED B-747'S, AND PROVIDED FOR THE SUSPENSION OF THE ARRANGEMENT IF ALL AUTHORIZED FREQUENCIES WERE NOT OPERATED BY EITHER AIRLINE. THIS TOO WAS REJECTED BY THE US. AT THIS POINT THE SOVIETS OFFERED A NEW PROPOSAL SIMILAR TO THE US PROPOSAL BUT WHICH EXCLUDED FROM THE POOLED MARKET PERSONS WITH DIPLOMATIC OR OFFICIAL PASSPORTS AS WELL AS VISITORS ON CULTURAL AND SPORTS EXCHANGES.

6. US REPLIED, FEBRUARY 22, THAT EXCLUSION OF OFFICIAL TRAVELERS WOULD IMPAIR THE BALANCING FORMULA AND HOPELESSLY COMPLICATE THE COUNTING OF TRAFFIC. SOVIETS SUGGESTED AN ARRANGEMENT ALONG THE LINES OF THE 1975 AIRLINE AGREEMENT,

GRANTING A CHARTER AGREEMENT AND THE USE OF B-747'S IN EXCHANGE FOR AEROFLOT DAILY FREQUENCIES. FINALLY SOVIETS PROPOSED AN EXCHANGE OF NOTES PROVIDING FOR FREQUENCY LEVELS OF TWO FLIGHTS PER WEEK UNTIL MARCH 31, FOUR FLIGHTS IN SUMMER 1977 AND THREE IN THE WINTER; PANAM INTERMEDIATE STOPS ON ALL ITS FLIGHTS AND AEROFLOT STOPS ON TWO OF ITS FLIGHTS; AN EXTENSION OF THE ORAL CHARTER UNDERSTANDING UNTIL APRIL 1, 1978; AGREEMENT TO REMOVE TICKETING RESTRICTIONS; AND AGREEMENT TO DISCUSS LONG-TERM RELATIONS NO LATER THAN APRIL 20, 1977.

7. USDEL RESPONDED THAT ISSUE OF IMBALANCE MUST BE ADDRESSED AND THAT NOW IT WAS QUESTION OF WHETHER, IN THE ABSENCE OF AN AGREEMENT, THE US IS PREPARED TO CONTINUE THE STATUS QUO LEVEL OF FREQUENCIES. AT THAT POINT, BY MUTUAL CONSENT, THE TALKS CONCLUDED.

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8. FYI. IF THE SOVIETS ELIMINATE US CHARTERS OUR OPTIONS WILL INCLUDE NOT ONLY CUTTING AEROFLOT CHARTERS, BUT ALSO REDUCING THEIR SCHEDULED FREQUENCIES FROM TWO TO ONE. THIS IS NOT RPT NOT AN OFFICIAL POSITION AT THIS TIME HOWEVER. END FYI.  
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